

Message Text

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ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 L-03 INT-05 FEA-01 /065 W

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R 311030Z DEC 75

FM AMEMBASSY KATHMANDU

TO AMEMBASSY NEW DELHI

INFO SECSTATE WASHDC 3837

LIMITED OFFICIAL USE KATHMANDU 5587

DEPARTMENT PASS OPIC

E.O. 11652: N/A

TAGS: EINV IN NP

SUBJECT: INDO-US INVESTMENT IN NEPAL: ROLE OF OPIC

REF: NEW DELHI 16930

1. DCM AND EMBOFF MET WITH NEW SECRETARY, MINISTRY OF COMMERCE AND INDUSTRY, DEVENDRA RAJ UPADHYAYA, TO DISCUSS STATUS OF JOINT DEVELOPMENT PROJECT IN MAGNESITE (REFTEL).

2. UPADHYAYA CONFIRMED THAT HMG HAD REVISED ITS POSITION AND WOULD NOW WELCOME FOREIGN INVESTMENT IN PROJECT ON 50-50 BASIS, BUT THAT CONTRARY TO WHAT MANAGER OF ORISSA INDUSTRIES REPORTED TO EMBASSY NEW DELHI, NO FINAL AGREEMENT HAS BEEN REACHED WITH FOREIGN FIRM. COMMERCE SECRETARY SAID THAT QUESTIONNAIRES HAD BEEN SENT TO BOTH ORISSA INDUSTRIES LTD. AND ORISSA CEMENT IN ORDER TO ELICIT THEIR SPECIFIC PROPOSALS REGARDING PROJECT. ALTHOUGH ORISSA CEMENT HAD SENT REPRESENTATIVE TO KATHMANDU FOR DISCUSSIONS, ORISSA INDUSTRIES HAD NOT YET DONE SO.

3. SECRETARY CONFIRMED THAT HMG HAD HOPED FOR U.S. EQUITY IN
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PROJECT IN FORM OF DIRECT INVESTMENT BY HARBISON-WALKER, BUT

THAT THIS WAS NOT MANDATORY FACTOR IN CREATION OF JOINT VENTURE. UPADHYAYA SAID THAT HMG WOULD WELCOME INDIAN RUPEE INVESTMENT, AS WELL AS U.S. PARTICIPATION IN FORM OF TECHNICAL CONSULTANT, ALTHOUGH CLEARLY GON WOULD PREFER TO HAVE DIRECT U.S. EQUITY INVOLVEMENT. AS FOR FINANCING, UPADHYAYA DENIED THAT HMG HAD FORECLOSED FOREIGN FINANCING THROUGH NEPALESE INSTITUTIONS; MINISTRY OF COMMERCE AND INDUSTRY WOULD NOT OBJECT TO FOREIGN PARTNER RAISING FUNDS THROUGH COMMERCIAL BANKS IN NEPAL, BUT ALSO WOULD NOT GUARANTEE LOAN.

4. AS FOR OPIC ROLE IN JOINT VENTURE UPADHYAYA SAID HE WAS CERTAIN HMG WOULD WELCOME OPIC ASSISTANCE IN WHATEVER FORM IT COULD BE MADE AVAILABLE, WHETHER THROUGH GUARANTEE OF U.S. EQUITY INVESTMENT, OR THROUGH RUPEE LOAN TO INDIAN PARTNER. HE STATED EMPHATICALLY THAT HMG WAS ANXIOUS TO CREATE FAVORABLE ATMOSPHERE FOR FOREIGN INVESTMENT.

5. EMBASSY HAS ALSO RECEIVED LETTER FROM HARBISON-WALKER REGIONAL REPRESENTATIVE IN WHICH HE INDICATES THAT HARBISON-WALSR IS NO LONGER INTERESTED IN EQUITY SHARE OF JOINT VENTURE IN NEPAL, ALTHOUGH IT WOULD BE WILLING TO PROVIDE TECHNICAL EXPERTISE TO INDIAN PARTNER, ORISSA INDUSTRIES. WHILE WE ASSUME THAT HARBISON-WALKER HAS COMMUNICATED DIRECTLY WITH ORISSA INDUSTRIES, WE WOULD APPRECIATE EMBASSY DELHI URGING MANAGER, K.K. PANDE, TO SORT OUT THIS RELATIONSHIP AS SOON AS POSSIBLE. WE WOULD ALSO SUGGEST THAT HE GET IN TOUCH WITH MINISTRY OF COMMERCE AND INDUSTRY IMMEDIATELY, IF HE HAS NOT ALREADY REPLIED TO UPADHYAYA'S QUESTIONNAIRE.

6. EMBASSY SEES NO OBJECTION AND WOULD WELCOME DIRECT OPIC ROLE IN PROJECT AS A MEANS OF PROMOTING U.S. INVOLVEMENT IN PRIVATE SECTOR OF NEPAJMAE ECONOMY. BASED ON CONVERSATIONS WITH OPIC PRESIDENT MAYS AND DIRECTOR HAUSER WE BELIEVE THAT OPPORTUNITIES, ALTHOUGH LIMITEDN SHOULD BE EXPLOITED WHEREVER POSSIBLE. MAGNESITE PROJECT APPEARS TO BE MOST LIKELY CANDIDATE AT THIS TIME.

CARGO

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Message Attributes

Automatic Decaptioning: X
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